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SUBJECT: Croatia's Refugee Programs Proceeding, Slowly

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11. (SBU) Summary and Comment. Continuing their monthly meetings on refugee return issues, the Ambassador and other principals from the international community (OSCE, UNHCR and EU) met with Minister for Trade, Transport and Development Bozidar Kalmeta February 6 to review progress. Perhaps the greatest progress is the forum itself: the meetings hosted by Kalmeta allow for concrete discussions on return-r programs. The International Community (IC) is eager to see the GOC f its commitment to additional tangible results this year, particularly complex program to allocate apartments to individuals who previously received subsidized housing. GOC progress in other areas is significant GOC has essentially completed the process of returning about 19,000 homes; reconstruction is proceeding steadily with 9,500 houses rebuild 2005; electrical grids and other infrastructure projects are undergoin significant investment; and the GOC has initiated procedures to deal some outstanding administrative barriers.

12. (SBU) At the meeting the Minister indicated that 2006 presents a k opportunity for the GOC to move forward on its housing program, re-electrification, and other returnee programs, and was optimistic it w complete its commitments on time. In light of EU accession talks and impending closure of the OSCE mission, all sides are eager to demonst progress in return programs this year. The EC is growing impatient w pace of reforms and emphasized the need to present progress to Brusse upcoming accession discussions; while Heads of Mission from OSCE and UNHCR see improvements and say they need to convince their home offic that the GOC is earnest in helping returnees. Trying to be proactive return programs, the Minister has the political backing of PM Sanader faces bureaucratic resistance within the GOC; Kalmeta is committed to results and his efforts have been bolstered by the October 2005 appoi of Damir Spancic (former Mayor of Pakrac, with whom Post has a strong relationship) to the returnee portfolio. Due in part to internal dis within the OSCE, EC, and UNHCR, progress on the Sarajevo Declaration (through which the governments of Croatia, Serbia and Bosnia agreed t cooperate with the IC and each other on setting concrete benchmarks f refugee returns) appears stalled. Post will continue its engagement IC and GOC to encourage even greater concrete results.

13. (SBU) In addition to policy-level involvement by the Ambassador, a regular and intensive consultation on these issues among Embassy, IC GOC staff at the working levels, nearly all USG programs in Croatia a the GOC in creating a welcoming environment for returnees. These inc programs to improve economic opportunity in returnee areas, selection humanitarian demining sites, supporting domestic prosecution of war c through training and equipment, bilateral military exercises which in civic action component, and so on. End Summary and Comment.

Progress, Slowly but Surely

¶4. (SBU) The GOC has made tangible progress in several key areas. The process of repossession of ethnic Serb homes is essentially completed. The GOC has facilitated the return of 19,000 homes and only about 50 cases remain. Home reconstruction is progressing steadily: about 9,000 homes were reconstructed in 2005 alone, and about 4,900 claims remain pending. The state-owned electricity company (HEP) reports that it invested 34 million kuna (\$5.6 million) last year to reconnect about 50 returnees and envisions nearly doubling that expenditure in 2006 to connect 340 users. In addition, the GOC recently intervened in an egregious case of unsolicited investment of a refugee's home by a temporary user. The Minister has drafted a standardized procedure for resolution of the 2 such cases that he plans to submit for approval shortly.

¶5. (SBU) Perhaps more importantly, the forum for discussing these issues has been institutionalized: the IC meets monthly with the Minister to discuss both successes and problem areas. In contrast to prior administrative meetings, these are constructive, collegial and open. Kalmeta and Spancic (Kalmeta's new deputy minister, who replaced Assistant Minister Lovre Pejckovic as the point-person on refugee returns) are proactive and re-oriented and working in good faith to make progress. Both admitted that they face obstruction from other parts of the bureaucracy but that they intend to achieve success. And progress has been recognized: in a recent visit to Serbia, Croatian ethnic Serb MP Milorad Pupovac praised the GOC for refugee return programs in recent years, citing resolution of home reconstruction and repossession, and recent movement on tenancy rights.

#### The Way Towards Reconciliation

¶6. (SBU) Reconciliation is a long-term goal. Towards that goal, the international community is focused on encouraging tangible results for returnees. Most problematic is housing for former tenancy rights holders. A program initiated several years ago. The GOC needs to review about 7 claims and is just now allocating the first apartments. With urging by OSCE, the GOC provided apartments to forty-two vulnerable cases in late

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¶2005. Two weeks ago the GOC began the procedure for providing apartments to another 27 tenancy rights holders. In its meeting with the Minister, the IC emphasized that the pace of allocation will need to increase dramatically in 2006 in order to consider the portfolio closed anytime soon.

¶7. (SBU) The Minister assured the IC that the process of adjudicating applications and procuring housing has begun in earnest and was confident that the GOC will be able to fulfill its commitments for this year. At the month's meeting with the IC, he will provide a concrete timeline for constructing and allocating apartments. Kalmeta noted that the GOC has immediately available 52 million kuna (\$8.6 million) for purchasing apartments, which includes unused prior-year funding. For 2006, the plans to spend over 2 billion kuna (\$333 million) for reconstruction of refugee issues including re-electrification and infrastructure development.  
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